reimbursed for those expenses directly attributable to the number administration function. AT&T indicates, however, that SNET has failed to identify what those specific expenses are, how they should be calculated, and why the costs should be borne equally by all local service carriers in Connecticut. AT&T recommends, therefore, that a task force be established to investigate and negotiate a solution to this matter. AT&T Brief, pp. 74-77.

7. Number Portability

AT&T asserts that the Department should immediately order the implementation of service provider local number portability (LNP). AT&T defines service provider LNP as the ability of an end-user to retain his/her existing telephone number if he/she changes from one local service provider to another local service provider. According to AT&T, without service provider LNP, a large portion of both residential and business customers will not switch or will be extremely reluctant to switch carriers. AT&T states that in order to create a level competitive playing field in the local exchange marketplace, an end-user must have the freedom to choose a local service provider without the fear of losing his/her current telephone number. AT&T suggests that the immediate implementation of service provider LNP is necessary in order to eliminate the enormous competitive advantage that SNET would have over potential competitors in the absence of LNP. AT&T Brief, pp. 63-66.

AT&T contends that service provider LNP can be implemented on an interim basis using existing technologies such as remote call forwarding (RCF) and NXX reassignment. In proposing that service provider LNP be implemented immediately, AT&T is not unaware of the drawbacks associated with its deployment.[33] AT&T states, however, that the drawbacks are minor and are outweighed by the significant advantages gained by the immediate implementation. AT&T further notes that the Stipulation provides that "SNET and the CLECs will work cooperatively to overcome any of the shortcomings inherent in any interim number portability solution." In addition, AT&T states that since implementation of LNP would benefit competition in general, all carriers, SNET and the CLECs, should fund the expenses.

8. White and Yellow Page Listings

[33] AT&T notes that one of the drawbacks of using RCF as part of the interim solution to service provider LNP is that operators will be unable to perform busy line interrupt (BLI) or busy line verification (BLV). AT&T disagrees, however, with SNET's proposal to address this difficulty by having CLECs inform their end users, whose telephone numbers have been ported, that the end user can be reached by dialing two telephone numbers. According to AT&T, SNET's proposed solution will cause customer confusion and defeats the purpose of number portability. In the alternative, AT&T recommends that the CLECs cooperatively establish a look-up database that would enable operators performing the BLI and BLV functions to access an end user's new or associated telephone number. In AT&T's view, this is a more practical, customer focused solution and does not defeat the purpose of interim number portability. Citing 800 Number Portability as an example, AT&T contends that service provider LNP can best be implemented on a long-term basis using a database solution. According to AT&T, this entails using a database, external to the central office switch, which would be queried in order to determine if the number dialed still represents the ultimate destination of the call or if the call should be routed to a different location. AT&T Brief, pp. 63-74.

AT&T states that white and yellow page listings are ubiquitously distributed in Connecticut and are a valuable source of information for telecommunications users in the state. AT&T notes that as part of the informational section in its white and yellow page listings, SNET provides general information about its services such as telephone numbers to call to order services and make repairs. AT&T argues that CLECs will be competitively disadvantaged and their end users will not have comparable access to information about CLEC services if CLECs are not afforded the same opportunity to provide information in such a widely distributed and well-known source of information. Accordingly, in order to provide a level competitive playing field in Connecticut, AT&T maintains that CLECs should be permitted to provide the same type of information about their services in the information sections of SNET's white and yellow pages and at the same terms and conditions as SNET. AT&T suggests that the CLECs be charged the same rate(s) as SNET's cost to provide itself space in the informational sections of its white and yellow page directories.[34] AT&T Brief, pp. 77 and 78.

D. CABLEVISION LIGHTPATH, INC. (LIGHTPATH)

1. Interconnection

Lightpath maintains that effective competition requires fair and efficient physical interconnection standards. According to Lightpath, SNET has proposed a series of operational standards that could result in discrimination against CLECs. Lightpath urges the Department to ensure that CLECs have the choice to interconnect with SNET at SNET's end office, tandem switch, or any other location that is efficient. According to Lightpath, network efficiency is enhanced when new entrants are allowed to exchange traffic directly at interconnection meet points. Lightpath Brief, pp. 14 and 15.

Regarding trunking, Lightpath states that two-way trunking should be the standard. Lightpath contends that two-way trunking will maximize efficiency because it will limit the number of trunks required between providers and the number of switch ports dedicated to each carrier. In those cases where disputes arise concerning efficient and nondiscriminatory arrangements that cannot be settled, Lightpath suggests that the Department be available to assist with their resolution. Lightpath Brief, p. 15.

2. Mutual Compensation

In Lightpath's view, a nondiscriminatory mutual compensation mechanism based on incremental cost is essential to the development of viable local competition. Lightpath states that the Connecticut Legislature has directed the Department to ensure

[34] MFSI concurs with AT&T's suggestion and recommends that the Department's Decision be drafted accordingly. MFSI also recommends that those CLECs providing directory assistance (DA) service to their customers be provided the same on-line access to the DA database that is available to SNET's DA operators, at the same rate SNET charges itself for such service. MFSI Brief, p. 39.

that unbundled telecommunications functions are offered at rates, terms, and conditions that do not unreasonably discriminate between end users and providers of local service. In order to achieve these objectives, Lightpath contends that CLECs must be treated as co-carriers with SNET rather than as end-user customers. Lightpath explains that because there are several ways in which SNET's pricing and operational strategies can act as subtle barriers to entry, the Department must ensure that interconnection standards will not jeopardize competition.

Lightpath argues that CLECs must be able to compete on price in order to provide fully substitutable local service in competition with SNET. According to Lightpath, CLECs will not be able to compete on price unless they have mutual compensation rates that are based on incremental cost. Lightpath states that although it believes that non-contributory, cost-based rates for intercarrier compensation should be the ultimate goal, it recognizes that public policy at least initially may dictate the implementation of rates that include some contribution to cover local loop costs. Lightpath Brief, pp. 5-7.

In Lightpath's opinion, SNET's mutual compensation proposal will not promote the vibrant competition necessary to achieve the goals of Public Act 94-83. Lightpath further states that it cannot support SNET's proposal because it adopts an access structure methodology that will embed contribution into interconnection rates. Lightpath contends that new entrants cannot be expected to compete if they are required to pay a portion of SNET's taxes, office expenses, and marketing costs in access charges that CLECs would be required to pay to complete local exchange traffic on SNET's network. Lightpath Brief, p. 7.

Lightpath supports the OCC Proposal and recommends that it be adopted by the Department. According to Lightpath, the OCC Proposal corrects many of the problems inherent in SNET's proposal and recognizes the architectural differences between carrier networks. Lightpath contends that the OCC Proposal's transition phase strikes a balance among the provider's interests, while advancing the competitive objectives of the Act. Lightpath Brief, pp. 5, 12 and 13.

3. Resale

Lightpath contends that CLECs must be able to resell incumbent LECs' local service. Lightpath argues that without the ability to resell incumbent LEC local service, new entrants would not be able to meet the Department's service obligations (from the Decision in Docket No. 94-07-03) except through the deployment of facilities. According to Lightpath, the deployment of such facilities would be an entry hurdle that only a few large new entrants would be able to overcome. Lightpath notes, however, that merely requiring the availability of services through resale, without also establishing a fair resale price, is not sufficient to ensure that CLECs will be able to meet their universal service obligations. Lightpath continues by arguing that if proper pricing mechanisms are established for mutual compensation, then resale service rates based on cost should be appropriate, because the CLEC would have access to the same subsidy streams to which SNET has access. Lightpath posits, however, that should

SNET be allowed to impose contribution-laden mutual compensation charges on CLECs for resale capacity, then the resale rate must be set at the subsidized retail rate. Lightpath contends that this pricing structure is necessary to enable CLECs to provide residential rates in competition with SNET.

Lightpath further argues that while resale of SNET's services may be necessary to the development of competition, the resale of CLEC services and facilities is not necessary, at least initially. Lightpath maintains that CLECs should not have to resell their services, because they do not have bottleneck control of an essential facility and have no market power. Additionally, according to Lightpath, CLECs will not have the capacity initially to sustain resale offerings for competitors as well as services for their own customers. Lightpath explains that entry by facilities-based CLECs is very capital intensive. Lightpath states that if new entrants were required to provide resale services to their competitors, their resources could end up being devoted to their competitors, rather than to bringing new services to Connecticut consumers. Therefore, Lightpath concludes that imposition of resale requirements on CLECs would be a barrier to entry, unnecessary and counterproductive.

Lightpath recommends, however, that if the Department does impose resale obligations on new entrants, such obligations should be delayed until the CLEC achieves substantial market power or penetration or passes a certain number of homes. Lightpath suggests that the Department define an event upon which a CLEC's facilities and services would have to be made available for resale. According to Lightpath, any resale requirement imposed on CLECs prior to establishing a significant presence in the market would be detrimental to the development of effective competition. Lightpath Brief, pp. 25-27.

4. NXX Programming and Administration

In response to SNET's NXX proposal, Lightpath states that SNET should not be permitted to charge for NXX programming or administration. According to Lightpath, the Central Office Code Assignment Guidelines do not contain a provision dealing with fees that NXX code administrators may charge for administration or programming of NXXs. Lightpath maintains that, consistent with these guidelines, therefore, SNET should not be permitted to charge for NXX administration. Lightpath also states that SNET has not provided a basis on which to impose a new NXX administration charge on CLECs. In Lightpath's view, SNET's proposal attempts to discriminate against the CLECs and to target them with additional charges not based on cost. For these reasons, Lightpath recommends that the Department reject SNET's proposal to charge for NXX administration and programming. Lightpath Brief, pp. 23-25.

5. Number Portability

Lightpath argues that the cost of interim number portability should be spread to all beneficiaries of the service. In Lightpath's view, interim number portability will benefit not only those subscribers who choose to switch to competitive local service providers, but also subscribers who never take advantage of number portability.

Lightpath claims that number portability is in the public interest, because it furthers the development of local competition, producing lower rates and enhanced diversity of service options. Therefore, because both customers and carriers will benefit from competition and because number portability is in the public interest, Lightpath states that the costs must be borne by all consumers. While acknowledging that SNET has not proposed a specific monthly interim number portability rate, Lightpath cautions the Department that SNET's proposed fee could serve as a barrier to entry. According to Lightpath, a rate set above cost coupled with SNET's proposal to impose the entire financial burden of interim number portability on CLECs, would place the CLECs at a competitive disadvantage from the outset and become a barrier to entry. Lightpath Brief, pp. 16-21.

Lightpath maintains that SNET should not retain all of the access charges received from interexchange carriers for calls relayed to the CLECs using number portability. Lightpath argues that both SNET and the CLEC should receive compensation for completion of a call based on the facilities they each provide. In particular, Lightpath suggests that SNET be compensated for the transport it provides while the CLEC should receive the local switching and common line elements of the access charge for that portion of the call it provides. Lightpath Brief, pp. 21 and 22.

Lightpath supports the industry's efforts to develop long-term number portability. Acknowledging that RCF, DID, and NXX reassignment are acceptable short-term number portability solutions, in Lightpath's view, they are not acceptable in the long term due to their technical limitations. According to Lightpath, the only number portability that will enable CLEC customers to take full advantage of all the local services currently available from SNET will likely involve a database similar to the national database that permits 800-number portability. Lightpath recommends that the Department encourage Connecticut industry participants to monitor and participate in trials being implemented in other jurisdictions to expedite the development of a permanent number portability solution for Connecticut. Lightpath Brief, p. 22.

E. MCI TELECOMMUNICATIONS CORPORATION (MCI)

1. Interconnection

MCI asserts that local exchange competition depends on the ability of any carrier to call the customers on any other carrier's network. MCI states that interconnection of networks has three distinct components: (1) physical interconnection, the means by which local traffic is exchanged between networks; (2) economic interconnection, the means by which local exchange companies compensate each other for exchange of local traffic; and (3) technical interconnection, the means by which networks work together on a variety of matters.

MCI argues that physical interconnection of local exchange networks should be permitted at any logical point of interconnection using the most efficient trunking arrangements. Specifically, interconnection between networks should be permitted at switching centers or at any other mutually agreed upon meet point between switches of the two providers and not limited to only the incumbent's end offices or tandems. MCI also argues that collocation is not required currently when incumbent LECs interconnect, and it similarly should not be required of the CLECs. MCI Brief, pp. 3-7

2. Mutual Compensation

MCI explains that on May 31, 1995, MCI, MFS Intelenet of Connecticut (MFSI), TCG, AT&T, Sprint, the New England Cable Television Association (NECTA) and Cablevision Lightpath presented the Department with a joint compensation proposal (CLEC Proposal). The CLEC Proposal provides for an initial mutual traffic exchange compensation arrangement. MCI claims that the CLEC Proposal is supported by all of the active participants in the instant proceeding except SNET. MCI states that while OCC did not sign the CLEC Proposal, its witness testified that OCC would support the proposal if it was reciprocally extended to SNET.

The CLEC Proposal embodies mutual traffic exchange which is the system of compensation that is used by current Connecticut LECs for mutual compensation among those LECs. MCI states that under the CLEC Proposal, a system of mutual traffic exchange would be extended to CLECs in Connecticut. According to MCI, the CLEC Proposal, by including mutual traffic exchange, imposes the least administrative costs on service providers and is the simplest compensation mechanism to implement and maintain. MCI Brief, pp. 8-16.

MCI maintains that the CLEC Proposal recognizes that new entrants are co-carriers, not customers of a LEC. MCI views the CLEC Proposal as fair to all carriers in that it would allow for a certain period of time for measurement of traffic flows before forcing new entrants to implement a possibly unnecessary and prohibitively expensive measuring and billing system. Moreover, according to MCI, mutual traffic exchange actually creates incentives for carriers to reduce their own costs, and as a result, consumers will realize the cost savings. MCI summarizes that mutual traffic exchange is technology-neutral, creates efficiency and gives customers the most choices. MCI Brief, pp. 16-20.

Although it has some concerns with the OCC's Proposal, MCI generally supports the proposal's framework insofar as it provides for an initial period where a mutual traffic exchange compensation would be implemented. MCI disagrees, however, with some aspects of the OCC Proposal. For example, MCI disagrees with OCC's proposed 15% contribution over the total service long run incremental cost of termination, because it adds to the cost of local interconnection and becomes a part of the irreducible price floor below which a new entrant cannot price its products. According to MCI, that is not the correct way to recover the cost of the local loop. MCI Brief, pp. 20 and 21.

MCI claims that SNET's access-style compensation mechanism would automatically impose administrative costs on new entrants and incumbents before it could be demonstrated that such systems were necessary. MCI argues that SNET has not produced evidence that would justify such expenditures. According to MCI, SNET's proposal actually rewards SNET for inefficiencies in its network. MCI explains that SNET's proposal creates the perverse incentive of forcing the new entrant to utilize more end office interconnections even if a tandem interconnection would be the most efficient means to exchange traffic. MCI Brief, p. 15, 22-24.

3. Resale

MCI argues that resale is critical for new entrants to expand their current networks and to comply with the Department's service requirements set forth in Decisions in Docket Nos. 94-07-03 and 94-07-07. MCI further contends that in order for competition to develop, the Department must require SNET to make available resale products for purchase by new entrants that are equivalent in quality and features to SNET's retail services, and which are offered on economically viable terms. MCI Brief, pp. 34 and 35.

MCI argues that the Department should waive its minimum service obligations until a technically and economically viable resale product is available from SNET. MCI asserts that unless resale is technically and economically available to new entrants, new entrants will not be able to comply with the Department's service conditions. MCI opines that an incumbent provider has an incentive to delay development of a high quality resale product to stave off competition and to preserve its market share. MCI urges the Department not to allow competitive entry to be stalled while SNET develops that resale product. Accordingly, MCI recommends that the Department waive the service obligations with which new entrants must comply until a technically and economically available resale option is available from SNET. MCI Brief, pp. 36 and 37.

4. Pricing

MCI contends that unbundling the monopoly elements of the incumbent's local exchange network will promote the competitive process by encouraging facilities-based competition, because unbundling makes it possible for new entrants to purchase only those pieces of the incumbent's monopoly network that they need in order to provide service. MCI notes that the participants in this proceeding have stipulated to the unbundling of certain elements of SNET's network; MCI supports the Stipulation and urges the Department to adopt it. While MCI believes that the physical unbundling agreed upon by the participants is a good start, it does not believe it to be sufficient for the long term. According to MCI, over the long term, all of the monopoly elements of SNET's network should be unbundled so that competition can occur for all of SNET's monopoly functions.

MCI further asserts that the Department must ensure that SNET offers its unbundled elements at economically viable prices to new entrants. According to MCI, failure to implement economic unbundling renders any physical unbundling meaningless, as it makes no difference whether unbundled elements are tariffed if the price at which those elements are offered is too high to allow new entrants to compete efficiently with the incumbent LEC. In MCI's view, there are three parts to economic unbundling. First, unbundled network functions should be made available pursuant to tariff. Second, rates set for unbundled network functions should be made available at rates that encourage economic efficiency and are not subsidized. (Consequently, MCI recommends that the Department require that SNET's unbundled elements be priced based on TSLRIC in order to avoid cross-subsidization, and that an imputation test be used to ensure that the combination of prices set for the unbundled elements and the prices SNET charges for its bundled services do not create a price squeeze.) Finally, MCI states that a LEC should not be permitted to set rates that discriminate among customers, including the incumbent LEC itself. In this case, MCI recommends that the Department adopt a rigorous imputation standard that establishes a proper price floor for SNET's retail services that use unbundled network elements. Accordingly, MCI recommends that the Department require that the price for any SNET service equal or exceed the sum of the following:

a) the tariffed rate for each monopoly building block used to provide the service (times the quantity of the building block used);

b) the total service long run incremental cost of providing the other functions that are utilized to provide the service, but which are not separately tariffed; plus,

c) any other service specific costs of providing the service.

MCI maintains that residential rates need not rise if SNET is required to comply with an imputation standard. MCI also maintains that a competitively neutral universal service fund would accommodate the Connecticut legislature's twin goals in enacting Public Act 94-83 of promoting competitive entry into the local exchange services market and preserving universal service at affordable rates. MCI Brief, pp. 27-34.

5. NXX Programming and Administration

MCI opposes SNET's NXX proposal. MCI states that SNET's proposal is another example of how SNET seeks to treat new entrants differently than the incumbent LECs. MCI acknowledges that there are costs for programming new NXX codes into a switch; however, these are costs that all service providers must bear when a new NXX code is assigned. MCI contends that SNET is attempting to receive special treatment for the recovery of its switch change costs, costs that all local exchange providers will need to incur. In the opinion of MCI, SNET has not demonstrated why it should be accorded this treatment. Accordingly, MCI states that the Department should not permit SNET to charge for providing NXX codes to new entrants or existing local exchange providers. MCI Brief, pp. 24-27.

F. MFS Intelenet of Connecticut, Inc. (MFSI)

1. The Stipulation

MFSI urges the Department to implement the provisions of the Stipulation agreed to by the carrier participants in this proceeding. MFSI contends that the Stipulation reflects broad agreement on a number of issues basic to the institution of competition. MFSI notes that all the industry participants in this proceeding support the Stipulation and acknowledges the OCC's endorsement and recommendation that the Department, as part of the certification process, impose the Stipulation's obligations on all future applicants. MFSI views the Stipulation as a good starting point for the determination of co-carrier arrangements. MFSI Brief, pp. 3 and 4.

2. Interconnection

MFSI asserts that the importance of interconnection arrangements to bringing effective competition to Connecticut cannot be overstated. According to MFSI, the guiding precept in establishing interconnection arrangements should be the efficient design and routing of the public switched network. While acknowledging that some of the aspects of interconnection arrangements have been resolved in the Stipulation, MFSI notes that other aspects remain unresolved and may be subject to some dispute.

MFSI states that the Department should encourage the establishment of points of interconnection at the most efficient location. MFSI opines that while the Stipulation provides for interconnection at SNET's access tandems and end offices, SNET currently interconnects with other LECs at neutral meet points. MFSI states that the record reflects that considerations of flexibility and efficiency militate in favor of permitting interconnection at other locations. Accordingly, MFSI recommends that the Department permit interconnection not only at any SNET access tandem or end office, but also at any mutually agreeable location, subject to Department approval and provided that all other carriers are permitted to interconnect at such meet points.

MFSI also states that the record reflects a clear consensus that two-way trunking is more efficient than one-way trunking, because it minimizes the amount of trunking facilities and switch ports required. MFSI notes that SNET's use of two-way trunks in 76% of its own trunking arrangements confirms its recognition that two-way trunks are generally more efficient. Moreover, MFSI argues that one-way trunking would, by increasing an entrant's costs, erect unnecessary barriers to entry, and increase costs to consumers. Therefore, MFSI recommends that the Department order two-way trunking except where both affected carriers agree upon one-way trunking.

Lastly, MFSI states that carriers should be required to provide each other the same form and quality of interoffice signaling (e.g., in-band, common channel signaling etc.) that they use within their own networks, and SS7 signaling should be provided where the carrier's own network is so equipped. MFSI maintains that each carrier should provide the same standard of maintenance and repair service for its trunks terminating at a meet point as it does for interoffice trunks within its own network and should complete calls originating from another carrier's switch in the same manner and with comparable routing to calls originating from its own switches. MFSI contends that the CLECs and SNET should be required to provide LEC-to-LEC BLV and BLI trunks to one another to enable each provider to support this functionality. Additionally, carriers should compensate one another for the use of BLI according to the effective rates listed in SNET's interstate and intrastate access tariffs, as applicable. MFSI recommends that the Department also require, where available, CLASS inter-operability between SNET and all CLECs. MFSI Brief, pp. 5-9; MFSI Reply Brief, p. 2.

3. Mutual Compensation

MFSI asserts that SNET's mutual compensation plan suffers from a host of deficiencies. MFSI first states that because SNET proposes that it receive substantial contribution from each call terminated on its network, its proposal would result in a price squeeze. MFSI continues by arguing that SNET's proposal is inconsistent with flat-rate service. In particular, the Department requires through its Decision in Docket No. 94-07-07 that all CLECs offer consumers a flat-rate local calling option, but under SNET's proposal, CLECs would have to pay SNET on a per-minute basis for terminating those calls. According to MFSI, therefore, CLECs would be subjected to undue risk of losses if SNET's per-minute compensation rate times the number of minutes of calls a CLEC customer made to SNET customers exceeded the market rate for flat-rate service. MFSI further contends that SNET's proposal removes the Bill and Keep option, even where traffic is in balance and therefore entails unnecessary measurement and billing costs. Further, MFSI maintains that SNET's proposal is based upon incorrect assumptions regarding the mix of toll and local calling which could result in a CLEC that originates less than the average ratio of toll calls subsidizing carriers that originate more than the average ratio of toll calls. MFSI also maintains that SNET's proposal is unfair to carriers using a different network architecture, i.e. CLECs having a single switch would be disadvantaged vis-à-vis SNET because of the proposal's treatment of tandem versus end office interconnection rates. Therefore, based on the above, MFSI recommends that the Department reject SNET's mutual compensation proposal. MFSI Brief, pp. 21-28.

MFSI supports the OCC Proposal and recommends that it be accepted by the Department. MFSI states that the OCC's approach is by no means ideal from a CLEC's perspective. According to MFSI, however, if adopted, the OCC Proposal will more than fairly compensate SNET for the service it provides to the CLECs, and will enable competition to begin more quickly than the complex interexchange switched access-based methodology advocated by SNET. MFSI Brief, pp. 4, 10-21; MFSI Reply Brief, pp. 3-5.

4. Pricing

While acknowledging that the Stipulation addresses the unbundling of local loop and port elements and certain subelements, MFSI states that unbundled loops must also be made available at a price that will permit CLECs to provide service on an economically viable basis. According to MFSI, without competitively priced unbundled loops, CLECs will not be able to offer competitive service to most of the population in a given area. MFSI contends that in order for efficient competition to develop, the unbundled loops should not be priced above TSLRIC to ensure that there are no unwanted cross subsidies and because this is the lowest level to which prices would fall in an effectively competitive market. MFSI further contends that unbundled loops must be priced so as to avoid a price squeeze in which the CLECs cannot match SNET's retail price for the service that employs the bundled loops without losing money. Further, MFSI opines that the prices for unbundled services sold by SNET should be required to pass an imputation test. Finally, MFSI argues that SNET should be required to offer its unbundled services, including directory assistance, under tariff (rather than contract), so that nondiscriminatory rates are available to all competitors and can be subject to public scrutiny and review. MFSI Brief, pp. 28-33; MFSI Reply Brief, pp. 9 and 10.

5. NXX Programming and Administration

MFSI asserts that SNET's NXX proposal is an effort to erect unprecedented barriers to competitive entry. MFSI maintains that there is no reason to change the current practice pursuant to which each carrier bears its own costs of switch reprogramming on a no fault basis, as a normal cost of doing business. MFSI argues that SNET's proposal would impose upon all providers considerable administrative burdens to calculate costs, thereby wasting carrier time and resources. Moreover, according to MFSI, on a per-subscriber basis, SNET's proposal would discriminate against small carriers, whether LEC or CLEC, wireline or wireless, and would act as an additional entry barrier. Therefore, MFSI recommends that if administrative costs are to be allocated among all Connecticut carriers, they should be allocated on a per-subscriber basis. MFSI Brief, pp. 37-39; MFSI Reply Brief, pp. 5-9.

6. Number Portability

MFSI notes that the Stipulation addresses an interim solution to the issue of number portability, but is concerned with the funding of the costs of implementing interim number portability. MFSI states that SNET has no incentive to develop a workable permanent solution. MFSI contends that in order to create such incentives, the Department should adopt a pricing approach for interim number portability that will not preclude customer choice or impose a financial penalty upon either CLECs or end users. Accordingly, MFSI recommends that the costs should be recovered from all Connecticut telephone users through a surcharge on all working telephone numbers.

Additionally, MFSI states that the terms of interim number portability should not deprive carriers of the ability to collect carrier access charges for calls that eventually terminate on their networks. MFSI contends that permitting the forwarding carrier to retain switched access charges would provide SNET with a powerful incentive to delay the implementation of a permanent number portability solution. Therefore, MFSI recommends that the carrier doing the final call termination should receive its proportion of switched access charges, including local switching, RIC, CCL Charge, and its proportion of transport charges. MFSI Brief, pp. 33-37; MFSI Reply Brief, pp. 10-12.

G. NEW ENGLAND CABLE TELEVISION ASSOCIATION, INC. (NECTA)

1. The Stipulation

NECTA states that many of the issues in this proceeding have been addressed by consensus of the participants through the Stipulation. NECTA opines that while it did not execute the Stipulation, it fully supports the Department's reliance on this agreement as representing the consensus work product of a broad group of active participants in this proceeding. NECTA Brief, pp. 1 and 2; NECTA Reply Brief, p. 1.

2. Mutual Compensation

NECTA notes that it is hardly difficult to understand why SNET would adamantly adhere to its proposal to charge its competitors a rate that is above its TSLRIC costs. According to NECTA, this pricing approach is fundamentally anticompetitive. NECTA states that SNET's approach would fundamentally undermine Connecticut's tradition of flat-rate pricing of local exchange service or would force SNET's competitors to adopt an unpopular measured-rate pricing approach, while SNET continues to offer flat-rate service. NECTA further objects to SNET's proposal because it would impose measuring, billing and auditing costs upon all industry participants, regardless of long-term traffic balance. NECTA Brief, p. 9; NECTA Reply Brief, pp. 6 and 7.

NECTA contends that the OCC Proposal incorporates significant concessions, drafted specifically to respond to concerns expressed by SNET in this proceeding. NECTA states that the Department should give great weight to the broad consensus represented by the CLEC and OCC Proposals. According to NECTA, either proposal would be a reasonable framework for mutual compensation. NECTA Brief, pp. 2 and 3, 6; NECTA Reply Brief, p. 2.

3. Number Portability

NECTA opines that the lack of full number portability is characterized as a major obstacle to competition by all CLECs. According to NECTA, absent number portability, customers are much less likely to give CLEC services a chance. NECTA notes that the Stipulation endorses a general requirement for SNET and the CLECs to work cooperatively to develop and implement a long term number portability solution that should, once approved by the Department, be implemented within a reasonable period of time. NECTA contends that without a clear signal from the Department, there is an incentive for SNET to delay providing CLECs with this capability. NECTA also contends that while the Stipulation provides a good starting point for cooperative progress, it is not sufficient by itself to ensure timely progress. Accordingly, NECTA recommends that the Department establish firm milestones for development and implementation of a data-base solution for local number portability, with a target for implementation no later than January 1, 1997. NECTA Brief, pp. 5 and 6.

4. NXX Programming and Administration

NECTA states that a neutral third party should control numbering resources and there should be a "no-fault" approach to the costs of opening new NXX codes. In particular, since NXX codes are not the property of any carrier, but are instead a public resource, NECTA recommends that all providers of local exchange service should be responsible for the costs that they may experience as a cost of doing business. NECTA states that SNET has failed to identify which specific expenses are directly attributable to SNET's role as number administrator, how they should be calculated, and why the costs should be distributed equally among all local service providers. NECTA further contends that what SNET proposes to recover in its charges for NXX codes clearly goes beyond reimbursement for its role as number administrator for the state. Therefore, NECTA opines that it is highly inappropriate that SNET be uniquely funded to make software and internal operating modifications similar to those that other providers and end users must defray in the course of their normal business operations. NECTA Brief, pp. 3 and 4.

H. Sprint Communications Company L.P. (Sprint)

1. The Stipulation

Sprint contends that the participants in this proceeding have exerted considerable effort in reaching a consensus/compromise on the issues under consideration, in an effort to mitigate litigation in this docket. Sprint supports the Stipulation and encourages the Department to adopt the recommendations provided therein. Sprint Brief, pp. 1 and 2.

2. Mutual Compensation

Sprint opposes SNET's mutual compensation proposal for several reasons and, therefore, recommends that it be rejected. In particular, Sprint urges that SNET's proposal be rejected because the existing access rate elements are faulty and include subsidies that are inappropriate for any compensation arrangement entered into for the provision of local service. Sprint maintains that charging access rates would impede competition because it would unfairly increase a CLEC's cost of providing local service. Sprint also maintains that under SNET's proposal, SNET would have the opportunity to impose a price squeeze on its competitors since SNET's access prices are higher than what it currently charges its retail customers for local usage. Additionally, Sprint asserts that access rates are inappropriate because they already provide contribution to support below cost based charges for residential local service.

According to Sprint, interconnection arrangements and mutual compensation are the most important issues the Department will decide in setting the stage for competition in the local telecommunications market. Sprint states that in making this determination, the Department should seriously consider the inequities of applying a minutes of use based access structure for termination of local calls. In Sprint's view, CLECs should not be required to subsidize SNET's residential services, while at the same time competing with SNET for those residential customers. Therefore, because an access structure is inherently biased in favor of SNET and places CLECs at a competitive disadvantage, SNET's mutual compensation plan should be rejected. Sprint Brief, pp. 2-8; Sprint Reply Brief, p. 2.

While continuing to support the CLEC Proposal as the preferred mutual compensation arrangement, Sprint suggests that the Department fully consider and adopt the OCC Proposal. Sprint states that the OCC Proposal addresses SNET's argument that CLECs have sole discretion in selecting the mutual compensation structure and interconnection arrangements when interconnecting with SNET by recommending that each carrier, including SNET, decide the compensation arrangement for its own terminating traffic. Sprint further states that the OCC Proposal is no more burdensome than SNET's own proposal, which relies upon constant estimates and true-ups for toll/local traffic passed at the end office and access tandem. Sprint Brief, pp. 6 and 7; Sprint Reply Brief, p. 1.

3. NXX Programming and Administration

Sprint advocates nondiscriminatory access to numbering resources as an important element to fair competition in the local market. Accordingly, Sprint recommends that SNET not be allowed to control the administration and assignment of numbering resources. Rather, SNET's NXX code assignment responsibilities should be transferred to an unbiased, independent, neutral third party. Sprint Brief, p. 9.

I. TELEPORT COMMUNICATIONS GROUP (TCG)

1. Mutual Compensation

In TCG's view, a flat rated mutual compensation structure is best suited to the Connecticut local exchange environment. According to TCG, flat rate charges match price structure to cost structure, afford carriers the ability to design different retail pricing options, are administratively simple and are an efficient mechanism for the eventual balance of traffic which the record indicates will eventually occur between interconnected carriers. TCG maintains that the record of this proceeding supports implementation of a capacity based, flat rated structure for the exchange of intrastate traffic at the end office or tandem level of the public switched network. Accordingly, TCG recommends that the Department mandate a flat rated structure.

Alternatively, TCG recommends that the Department order carriers to begin operating pursuant to the OCC Proposal. TCG contends that in the event minutes of use proposals are implemented, users of those options must be required to recover the costs of establishing the measuring and billing systems associated with putting such a complex proposal into place. TCG asserts that users of flat rate options should not be required to support any of the costs of establishing such usage-sensitive billing arrangements.

Regarding SNET's mutual compensation proposal, TCG states that SNET's switched access structure is inappropriate as a mutual compensation mechanism because it: (1) forces carriers originating flat rated calls by their customers to terminate them to SNET at a per-minute rate; (2) creates an anti-competitive price squeeze, and (3) forces competitive carriers to doubly subsidize their own universal service obligations and those of SNET. TCG further contends that SNET's switched access structure proposal does not permit a competitive carrier to match its costs to its obligations while still being able to offer customers a true choice of service options. According to TCG, by imposing a per-minute switched access structure on new competitors as a cost to terminate traffic, the Department would curtail the flexibility the carriers have to price local calling at the retail level. TCG maintains that SNET's switched access charges contain high amounts of contribution, which represents the difference between SNET's incremental cost for access to its network and the price that it charges for that service. TCG opines that it is unnecessary and illogical to collect this subsidy from new entrants in Connecticut who have the same obligation to serve all customers as does SNET. Therefore, TCG recommends that the Department reject SNET's switched access structure and adopt a capacity based, flat rated mutual compensation structure. TCG Brief, pp. 7-14.

TCG states that the OCC Proposal meets SNET's own criteria for a workable compensation mechanism. Additionally, TCG states that the record contains no evidence that the CLECs will not be able to implement the OCC Proposal, and SNET does not present compelling evidence that the proposal must be rejected because SNET cannot implement it. TCG opines that while disagreeing on certain points, the carriers have continuously worked together in Connecticut and TCG believes they will continue to do so throughout the implementation process for interconnection. TCG Reply Brief, pp. 1-8.

2. NXX Programming and Administration

TCG states that the Department should order carriers to process NXX codes at no charge. TCG argues that given the enormous competitive advantage that SNET has enjoyed from its monopoly control of number resources, it is hardly fitting that it demand money from the new entrants. TCG maintains that SNET has failed to account for the costs that competitive carriers incur for the "reciprocal" programming that they must perform in their own switches to recognize the multitude of NXX codes dedicated to SNET. TCG argues that if SNET is permitted to charge TCG to install TCG's numbers in its switch, presumably TCG, as an authorized LEC, should equally be permitted to charge SNET for installing SNET's codes in TCG's switches. However, rather than engaging in pointless and unproductive billing exercises, TCG recommends that the Department direct SNET to administer codes without charge and all carriers to treat NXX processing costs as their own costs of doing business for the present time. TCG Brief, pp. 15-17; TCG Reply Brief, pp. 9 and 10.

IV. DISCUSSION

A. INTRODUCTION

Public Act 94-83 mandates establishment by the Department of a regulatory framework that will support broader market participation. However, the Legislature qualifies its confidence in the ability of a competitive market to self-regulate by insisting that any adopted regulatory framework continue to afford the Department the necessary enforcement tools to ensure protection of the public's interests. Among the goals articulated in the Act are: "the universal availability and accessibility of high quality, affordable telecommunications services to all residents and businesses in the state" and "the development of effective competition as a means of providing customers with the widest possible choice of services." Conn. Gen. Stat. § 16-247a (a). Moreover, the Department is directed to "regulate the provision of telecommunications services in the state in a manner designed to foster competition and protect the public interest." Conn. Gen. Stat. § 16-247f (a). It is with the recognition of its dual responsibilities to the Connecticut public that the Department has conducted its investigation into the unbundling of the SNET local telecommunications network.

B. STATUTORY AUTHORITY

Section 3 of Public Act 94-83 provides:

> (a) On petition or its own motion, the department shall initiate a proceeding to unbundle the noncompetitive and emerging competitive functions of a telecommunications company's local telecommunications network that are used to provide telecommunications services and which the department determines, after notice and hearing, are reasonably capable of being tariffed and offered as separate services. Such unbundled functions shall be offered under tariff at rates, terms and conditions that do not unreasonably discriminate among actual and potential users and actual and potential providers of such local network services.
>
> (b) Each telephone company shall provide reasonable nondiscriminatory access to all equipment, facilities and services necessary to provide telecommunications services to customers. The department shall determine the rates that a telephone company charges for equipment, facilities and services which are necessary for the provision of telecommunications services. The rate that a telephone company charges for a competitive or emerging competitive telecommunications service shall not be less than the sum of (1) the rate charged to another telecommunications company for a noncompetitive or emerging competitive local network service function used by that company to provide a competing telecommunications service and (2) the applicable incremental costs of the telephone company.

> (c) A telephone company shall not use the revenues, expenses, costs, assets, liabilities or other resources derived from or associated with providing a noncompetitive service to subsidize its provision of competitive, emerging competitive or unregulated telecommunications services.

Conn. Gen. Stat. § 16-247b.

The Department established the instant docket to expressly investigate the unbundling of the SNET telecommunications network in accordance with the above-quoted statutory provisions. This docket is being conducted separate from and prior to individual Department investigations of the unbundling of the networks of New York Telephone Company (NYTel) and The Woodbury Telephone Company (Woodbury). As detailed above, dockets for those companies are currently in development stages. The unique characteristics of NYTel and Woodbury will be considered in those dockets; where appropriate, however principles established in this docket will be instructive.

C. THE STIPULATION

On April 7, 1995, a proposed Unbundling and Resale Stipulation (Stipulation) was submitted to the Department for its review and approval. That Stipulation is signed by SNET, OCC, the A.G., TCG, MFSI, AT&T, Sprint, Lightpath and MCI. April 7, 1995 Letter to the Department, pp. 19 and 20. While NECTA was not a signatory to the Stipulation, NECTA states in this proceeding that it fully supports the agreement and recommends that it be approved by the Department. NECTA Brief, p. 1; NECTA Reply Brief, p. 2.

The proposed Stipulation was submitted in partial response to direction offered by the Department in its Decision in Docket No. 94-07-04 as well as pursuant to the desire of all participants to expeditiously effect a transition to broader participation. The Department is appreciative of the effort expended by all of the signatories to this agreement and considers the Stipulation irrefutable evidence of the ability to achieve reasonable agreement on issues of common concern to the industry and the public. Furthermore, by encouraging interested participants to seek agreement on critical local service provisioning issues, the Department has dramatically reduced the scope of litigation required in this proceeding, balanced the operational and technical frameworks available to prospective and incumbent local service providers, ensured nondiscriminatory application of any contractual agreements to all prospective providers and significantly improved the pace of competitive transition in Connecticut.

The Department has reviewed the Stipulation and finds that it addresses 15 of 20 issues identified by the participants during this proceeding. In particular, the Stipulation delineates:

- specific network services and network service elements that will be unbundled by SNET in the initial phase of unbundling;

- accepted methods of achieving functional interconnection for those unbundled elements with the networks of other providers;
- administrative processes to be employed in responding to subsequent requests for further unbundling in the future;
- terms and conditions related to the resale of unbundled elements and local service;
- attendant responsibilities for the interconnection of E-911 network facilities by CLECs;
- recognition, acceptance and notification of state/federal agencies with regard to attendant obligations;
- procedural protocols for handling of misdirected repair calls by SNET and CLECs;
- interim responsibility for central office code (NXX) administration;
- common commitment to pursue prescribed statutory goals by use of cooperative practice;
- policies, procedures and protocols that will govern the provisioning of operator services;
- policies, procedures and protocols that will govern the provisioning of directory services;
- operational procedures that will govern the provisioning of unbundled services made available under the Stipulation;
- provisional and permanent methods of supporting number portability requirements;
- policies, procedures and protocols that will govern the exchange of billing information between SNET and CLECs; and
- definitions that will be commonly applied to issues covered by the Stipulation.

In accordance with its prescribed statutory responsibilities to protect the public's interest in such proposed Stipulations, the Department has subjected the specific components of the Stipulation to extensive review and has given full consideration to the specific points of agreement and continued disagreement. As a result of that review, the Department finds that, consistent with the goals articulated in Public Act 94-83, the Stipulation will ensure the universal availability and accessibility of high quality, affordable telecommunications services, will promote the development of effective competition, will facilitate efficient development and deployment of an advanced telecommunications infrastructure, will encourage shared use of existing facilities and cooperative development of new facilities and ensures the expectations of the public for service are met. Moreover, the proposed Stipulation reflects full and fair consideration of the signatories' respective interests and provides an acceptable development framework for Connecticut CLECs to formulate essential interconnection agreements with SNET. Accordingly, the Department hereby adopts the Stipulation as the policy of this Department. The terms and conditions contained therein will be applied to SNET and all current and future CLECs. (A copy of the Stipulation is attached hereto as Attachment A.) The Department notes, however, that adoption of the Stipulation does not preclude prudent exercise of any of the Department's enforcement authority as defined by Public Act 94-83 or other statutory provisions. The Department also reserves the right to reconsider on its own initiative any provision contained within the Stipulation if the Department determines implementation of any such provision impedes the development of effective competition, fails to achieve the stated goals of Public Act

94-83, or in any way accords a provider or group of providers an unwarranted competitive advantage.

Furthermore, by adopting the Stipulation, the Department does not suggest, imply or otherwise indicate to any of the participants that additional discussion, negotiation and litigation will not be required to suitably implement the Stipulation's provisions and the related unbundling issues not addressed by the Stipulation To assist the interested participants in expeditiously resolving issues, the Department will establish a CLEC Working Group consisting of a representative from SNET, each CLEC, and OCC if it desires to participate. The Working Group membership shall be identified no later than November 1, 1995, (recognizing that the membership will be dynamic as new providers enter the Connecticut local service market) and the Working Group shall hold its first meeting no later than December 1, 1995. Thereafter, the Group shall meet on a regular basis (schedule to be determined by the group's membership) to implement any operational issues identified as a consequence of this Decision. The CLEC Working Group will annually elect a Chairman from its members who will provide a written report to the Department, on a minimum of a semi-annual basis, of progress and/or problems with implementing the participative network envisioned for Connecticut by Public Act 94-83.

Despite agreement by the participants to 15 issues presented for investigation in this proceeding, a number of secondary issues critical to effective implementation of the Stipulation and of Conn. Gen. Stat. § 16-247b remain unresolved. Specifically, the participants have not reached agreement on: technical interconnection issues; compensation terms for the exchange of local traffic; resale of other SNET products and services other than those covered by the Stipulation; resale pricing methodologies for local service and unbundled network elements; subsidies and universal service responsibilities as applied to resale and unbundled network elements; charges associated with the maintenance and assignment of NXX codes to CLECs; interim number portability benefits, shortcomings and funding; operational issues generally; and CLEC information pages in SNET's directories. In view of the critical importance these issues represent to effective implementation of Public Act 94-83, the Department addresses these issues in this Decision.

D. INTERCONNECTION

To date, the participants in this proceeding have been unable to reach agreement on certain technical interconnection issues. SNET states in its submissions that throughout the negotiation process it has endeavored to remain flexible and to afford the CLECs opportunity to choose their preferred means of physical interconnection. According to SNET, CLECs should be permitted to choose to interconnect with SNET's infrastructure at either SNET's tandem switches or the serving end office of their customer. SNET contends that this dual interconnection option permits each of the prospective providers the ability to determine, based upon projected traffic patterns, the manner and place to interconnect which would afford the provider the maximum economic benefit available to it. SNET further proposes, as part of its interconnection proposal, to provision the prospective providers with one-way only trunks between the providers' switches and the point of interconnection with SNET. SNET contends that one-way only trunking will afford each initiating service provider better operational and quality control of the traffic delivered to another network provider than would otherwise be possible with two-way trunking. SNET qualifies its endorsement of one-way only trunking, however, stating that it is prepared to offer two-way trunking where it is mutually beneficial and efficient for both itself and a CLEC, and where any concerns over the control of traffic can be satisfied. SNET Brief, pp. 22-24; SNET Reply Brief, pp. 9 and 10.

The other participants express general disagreement with SNET's proposal and argue that a principal objective of any interconnection scheme must be to provide each CLEC the ability to efficiently and effectively integrate the CLEC's preferred network architecture with that of SNET, that of other incumbent LECs and/or that of other CLECs. Those participants suggest that if Connecticut is to realize the competitive benefits of a seamless network, physical interconnection with the incumbent LEC for the origination, termination, and exchange of local traffic is absolutely essential. OCC maintains that if interconnection is permitted by the Department only at serving end offices and tandems, new entrants will be required to conform their network architectures to that currently employed by SNET, thereby assuming the burden of any embedded inefficiencies within that architecture. OCC Brief, p. 4. AT&T echoes the arguments of OCC, suggesting that the goal of efficient, seamless call completion can be realized in a multi-provider market only if interconnection between the respective infrastructures is legally required and SNET assumes responsibility to interconnect transient traffic that simply passes through some portion of SNET's network without either originating or terminating on SNET's network. AT&T Brief, pp. 59, 62 and 63. MCI builds upon the arguments of AT&T and OCC recommending that the point of interconnection with LEC networks be a discretionary decision of the providers involved. MCI proposes to permit interconnections at any conceivable point in an infrastructure where the most efficient trunking arrangements can be agreed upon by the affected providers. MCI Brief, p. 5. Other participants express similar views in their submissions and ask generally that relatively broad latitude be afforded them by the Department to interconnect at switching centers or anywhere deemed efficient by the affected providers. Lightpath Brief, p. 14. MFSI Brief, p. 6; NECTA Brief, pp. 7 and 8; TCG Brief, pp. 14 and 15.

The participants further recommend that the Department direct SNET to make available to prospective competitors two-way trunking facilities wherever practical. The participants sought to demonstrate in this proceeding that two-way trunk facilities offer service providers both technological and economical advantages that are important in a competitive market such as that envisioned by Public Act 94-83. OCC, AT&T, NECTA and TCG collectively suggest that two-way trunks are intrinsically more efficient and more effective than the one-way only trunk facilities proposed for use by SNET, and recommend that the Department order SNET to make them available for use between end offices and access tandems of SNET and the CLECs. OCC Brief, p. 5; AT&T Brief, p. 60; NECTA Brief, pp. 7 and 8; TCG Brief, pp. 14 and 15. Lightpath acknowledges the stated intention of SNET to negotiate with CLECs any issues related to two-way trunking, but suggests that negotiations may be more fruitful if the

Department remains available to assist in expeditiously resolving any outstanding disputes. Lightpath Brief, p. 15. MFSI proposes that the Department order SNET to make available to prospective providers two-way trunking facilities as the preferred facility type except in those instances where both affected participants agree upon one-way trunking. MFSI also proposes that the Department legally sanction joint use of common facilities for both intrastate toll and local traffic and mandate that the PLU be provided by both providers sharing the two-way trunk. MFSI Brief, p. 7.

Historically, local exchange carriers negotiated interconnection arrangements with other local exchange carriers without consideration for any competitive impact or competitive consequence in doing so. However, with the introduction of competition into the local exchange services market, both incumbent and prospective service providers acknowledge the potential competitive advantage or competitive disadvantage that might be afforded by any specifically approved means of interconnection among the various providers. The Department was explicit in Docket No. 94-07-01 in stating its conclusion that both nondiscriminatory access and interoperability were critical network attributes that must be present if the full benefits of broader market participation are to be realized by the Connecticut public. Similarly, Public Act 94-83 is clear as to its intent to encourage broader participation in the Connecticut market in the hopes that consumers will have an increased ability to choose among competitive providers, products and prices.

The participants in this proceeding recognize that interconnection and the standards for measuring its effectiveness are in a state of development, and will continue to evolve as new, different, and/or better uses of existing LEC networks and new CLEC networks are determined and developed. Therefore, the conclusions reached herein regarding interconnection principles and interconnection performance standards should be viewed as transitional measures. If the market is to achieve some new state of equilibrium with a proposed reduction in the scope of regulatory participation, the principal participants in the market must demonstrate that they can curb their individual self-interest in achieving either economic or market advantage at the expense of the public's interest. Reason must prevail if a self-regulated market is to prevail and if the goals of Public Act 94-83 are to be realized. It is, therefore, with some apprehension that the Department believes it must, at least for some interim period, prescribe further rules for interconnection than those instructions provided the industry by the Department's Decision in Docket No. 94-07-01. At such time that the principal service providers can reach agreement on a more suitable basis for interconnection, the Department will formally review and consider that agreement for adoption in place of the orders made herein.

The Department substantively agrees with the conclusions of the OCC witness, Dr. Collins, that interconnection is necessary for local exchange competition to begin to emerge in Connecticut. Collins, Direct Testimony, p. 10. The Department has previously noted such in its Decisions in Docket Nos. 94-07-01, 94-07-03, 94-07-04 and 94-07-07 and here reaffirms its commitment to achieving broad interconnection. It is important to note that the Department does not call into question in this proceeding suggestions by some participants that broad network interconnection would eventually emerge, in the absence of regulatory initiatives, as a product of natural market evolution. The Department is of the firm opinion that interconnection arrangements will reflect the participants' self-interests, and given that members of the industry share a common interest in improving their call completion ratios, increased interconnection would be a logical outcome for the future. The Department, however, is less confident of the public benefits that any such self-interested agreement might provide. Therefore, the Department has focused in this proceeding on the technical means of achieving interconnection in the future. The Department concurs with the OCC's opinion that if competition is to develop efficiently, Connecticut consumers must be aware of the local exchange carrier responsible for providing their service. Additionally, the Department agrees with OCC that Connecticut consumers must be able to complete calls in a multi-provider market as easily as in a single provider environment. The Department believes, therefore, that, at a minimum, interconnection arrangements must be virtually invisible to end users, be as efficient as under a single provider model, and permit local exchange carriers the opportunity to recover the cost of having their facilities available for use by other service providers.

It is the Department's view that, pursuant to the provisions of Public Act 94-83, interconnection must be as open as possible. To that end, the Department herein requires SNET to make available to CLECs preferred interconnection to its infrastructure on a two-way trunk basis at any serving end office or tandem switch identified by the CLEC, or at any other mutually acceptable meet point. All participants to this proceeding have acknowledged the technical viability of each of these forms of interconnection, but have not necessarily agreed on the individual merits of each or on the extent each should be required to be made available for use. The Department finds little evidence to support limiting choice in this matter. In this proceeding, the Department has been presented with no valid reason to limit interconnection to one-way only trunking, especially given the fact that SNET has stated that it "is prepared to do two-way trunking where it is mutually beneficial and efficient for both SNET and the CLEC." SNET Brief, p. 24. Furthermore, it should be noted that the Department finds that making available two-way trunking for use by CLECs represents no harm to either the public or to SNET. Therefore, the Department finds no compelling reason to deny the use of two-way trunking or to approve such use conditionally upon mutual agreement.

Separately, the Department has considered the issues of efficiency and benefit as presented by SNET in its arguments for limited interconnection arrangements. In considering the arguments, the Department doubts that the benefit(s) or efficiency(ies) will ever be the same for each provider and success in the market will never require that they be equal. Competition by nature is unequal, as each participant, incumbent or new entrant, tries to achieve a sustainable competitive advantage through innovation and aggressiveness. However, if any prospective entrant or incumbent provider believes that the unwarranted actions of any provider in the use of two-way trunking results in reducing the operational efficiency of its network, the Department encourages that party to immediately notify this Department of such conditions and to begin immediate discussions to seek adequate resolution of the situation. If a suitable solution cannot be achieved within 30 days of notifying this Department, the offended party will have the right to file a formal complaint with the Department. The Department will undertake immediate action to resolve the situation in accordance with the Department's standard complaint procedures.

The Department also finds that any mutually acceptable approach agreed to by SNET and a CLEC that differs from the minimum standards outlined above are acceptable forms of interconnection, but must be made available under similar terms and conditions to any other provider. The Department encourages competition, but emphasizes that since customers must be interconnected, carriers still must work to define new and better forms of interconnection arrangements for the future. Therefore, the CLEC Working Group will be responsible for ensuring that any and all new interconnection arrangements negotiated by members of that Working Group are made available for review by all current and future providers in Connecticut.

Relative to the request by AT&T that SNET be required to interconnect transit or transient traffic, the SNET witness testified to SNET's willingness to provide such a service although specific terms and conditions for providing this type of service have not yet been determined. SNET would expect to be fully compensated for switching, transport and billing functions performed in the delivery of the service. Wimer Rebuttal Testimony, p. 18. The Department finds SNET's response to this request to be acceptable for purposes of this proceeding, and hereby directs SNET to negotiate this form of interconnection arrangement as needed with any interested CLEC. At the time of any formal tariff filing or notification, the Department will adjudge the merits of SNET's proposal and its associated cost to the respective providers.

Therefore, based on the above, the Department finds that interconnection shall be established at points where it is most efficient and technically feasible. At a minimum, all prospective providers of local exchange services will be authorized to interconnect at tandem offices or serving end offices, mutually acceptable meet points or any other arrangement or location that can be agreed to by both carriers. Preferred trunking arrangements will be two-way facilities, unless both carriers agree that one-way is more appropriate.

E. Mutual Compensation

Mutual compensation refers to the charges paid to one facilities provider by another facilities provider for the completion or termination of local calls on the provider's network that did not originate on the same network. Salvatore Pre-Filed Testimony, April 13, 1995, p. 7. Certain participants in this proceeding have further defined mutual compensation as the means of allowing each network participant to be fairly compensated for the use of its network to complete a local call originating on another provider's network. Wimer Pre-Filed Testimony, April 13, 1995, p. 5.

In its submissions, SNET states that the need for mutual compensation has arisen because, with the advent of local competition, there will be multiple carriers of local traffic in the same geographic area. According to SNET, CLECs and SNET will: (i) be competing in the same markets; (ii) have obligations to serve certain areas; (iii) originate and terminate voice and data calls; (iv) offer services in specific designated areas; and (v) provide public interest services (E-911). SNET also states that in this manner, CLECs are co-carriers who, together with SNET, serve the entire local market previously served exclusively by SNET. According to SNET, its mutual compensation plan extends recognition to the CLECs as co-carriers and as such proposes to compensate them for the use of their network to complete a local call originating on SNET's network. SNET Mutual Compensation Plan for Certified Local Exchange Carriers (MCP-CLEC), March 31, 1995, p. 1.

SNET's Mutual Compensation Plan is modeled around an access structure principle with eligibility for mutual compensation predicated upon the mutual exchange of voice and data traffic, both originating and terminating, by each market participant. SNET maintains that the terms and conditions governing plan participation will be completely reciprocal for all interested CLECs. Specifically, SNET's proposal provides for carriers to be compensated if they qualify to receive mutual compensation under certain conditions specified in the Plan. First, any party seeking compensation must be a facilities-based CLEC operating a switching facility in Connecticut and exchanging both originating and terminating traffic with SNET. In this way, SNET maintains that that co-carriers with similar switching obligations are treated as equals compensating each other for the portion of their respective network that is utilized in completing another provider's calls. Second, SNET proposes that mutual compensation be limited by the Department to only voice and data traffic being transported within a local market area reaffirming application of SNET's access tariffs to address questions of compensating other network providers for toll calls. SNET defines local, for purposes of mutual compensation, as the current local calling area boundaries previously approved by the Department. SNET argues that because, pursuant to the Department's Decision in Docket No. 94-07-07, every CLEC must make available one local service offering equivalent in design and calling provisions to the basic, flat rate local calling package offered by the relevant telephone company, the Department approved boundaries will be common to all local service providers irrespective of their time of market entry. Accordingly, SNET proposes that, at least initially, the current local calling boundaries be used to determine the eligibility framework for any compensation claims.

In developing its mutual compensation proposal, SNET depended heavily upon the current access charge structure employed with interexchange carriers. SNET states its belief that an access structure for mutual compensation is appropriate because it best reflects SNET's current cost structure, it is fair to all participants, and it will be a sustainable methodology over the long term. SNET states that in the competitive environment envisioned by Public Act 94-83, competitor prices will be naturally driven toward underlying costs by the pursuit of marketshare, and it will thus be imperative that SNET prices reflect the underlying nature of their costs of providing any service. SNET contends that an access structure formula incorporates rate elements reflecting major cost components such as switching and transport. Furthermore, those rate elements parallel the underlying nature of these costs so that switching is usage based and transport is a flat rate.

SNET submits that its proposed access structure for mutual compensation is fair to all network participants and balances the needs of both large and small carriers. In contrast, according to SNET, a formula which employs a flat rate structure will be inherently favorable to large carriers whose traffic volumes will support larger, more efficient trunking configurations. Most importantly for purposes of satisfying the goals of Public Act 94-83, argues SNET, usage based rates will afford smaller carriers greater opportunity to enter the market with a smaller fixed expense and pay only for what is used.

SNET further suggests that an access structure formula is a more sustainable methodology than others that might be presented for consideration. According to SNET, a common definition of a "local calling area" will become obsolete over time and, consequently, necessitate some revision to any adopted methodology that employs local calling area as an element in the compensation methodology. In consequence of the efforts of competitors to differentiate themselves in the future, SNET contends that compensation for local and toll will of necessity have to merge into a single structure as competitors introduce calling area packages that combine current toll options with the basic local service offering required by the Department in Docket No. 94-07-07. Under such a scenario, traffic being terminated by a provider may be considered a local call by the initiating local service provider but a toll call in the view of the terminating provider. SNET notes that even today, a carrier terminating traffic on its network cannot fully differentiate between all local and all toll calls transported on its network, because the originating party's telephone number is not forwarded to the terminating network and the terminating provider must "trust" the originator to properly classify the call as local or toll traffic for purposes of determining compensation entitlement. SNET notes in its submissions that the problem of improper classification will not be an immediate issue since each carrier will be assigned an exclusive NXX for each local calling area so local traffic can be readily identified and calls originating or terminating there can be properly classified. SNET suggests, however, that as more options are developed, it will not be practical to maintain the discrete NXX designation for each local service area. SNET states that in the future, the architecture of both incumbent and prospective wireline service providers may look more like the architecture of the wireless networks (i.e. where no distinction is made between local and toll calls). Accordingly, each minute of use of a particular network component must be appropriately compensated for, regardless of the service being provided to the end user or the carrier providing that service.

Additionally, SNET submits that its mutual compensation proposal is an equitable arrangement which offers compensation to each and every participating provider for access to and use of its network in terminating traffic that originates on another provider's network. SNET states that the proposed formula will provide compensation to all CLECs that terminate local voice/data traffic originated on the SNET network at a rate equal to or lower than SNET's rate, until such time as the CLEC files its own cost-based tariffs and is granted Department approval. SNET proposes its plan with the presumption that each of the CLECs will file a corresponding access tariff which will offer all other participants a nondiscriminatory arrangement to terminate traffic on their respective networks.